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Offices of:  
**John S. Mills**  
P.O. Box 911  
Jamestown, Ca. 95327  
(209) 532-0432 Fax: (209) 532-0480  
e-mail address: "sixbit@mlode.com"

(sent via fax)

Mr. Lester Snow, Executive Director  
CALFED Bay-Delta Program  
1416 Ninth St. Suite 11556  
Sacramento, Ca. 95814

November 11, 1998

Dear Lester:

Following yesterday's meeting with Secretary Babbitt and others within the Federal and State leadership on CALFED, there appeared to be outlying issues related to the "bundling" of programs in Stage 1 of the CALFED Program. These "bundlings" seem to be an effort to more logically make our way through CALFED implementation as well as to provide assurances for all interested parties. The CALFED process of late has been something of a "fire drill" and it was not clear just what was to be included in the current draft of the Phase II Report and what would be in the next draft.

As I reviewed the "Estimated CALFED Stage 1 Program and Capital Costs in Millions" Table (Page 97, CALFED Revised Phase II Report, November 1998), it seemed that significant areas of concern to the Delta Tributary Source Areas were not addressed within the budget and therefore not within Stage 1. I am unsure what screening process took place and what happened to the information on these points I hand delivered to Mr. Richie last month. However, as we are attempting in these final weeks of 1998 to develop an acceptable Phase II Report, there are

significant issues unaddressed. Some of the issues are components of CALFED Common Programs while others may not be. In any event they must have a home within the CALFED solution and more importantly within Stage 1.

Specifically the list is:

- Reservoir Reoperation Analysis for Tributary Areas
- Infrastructure Conservation Improvements to Conveyance and Distribution Facilities
- Small hydropower (PG&E Etc.) Acquisition Financial support
- Water Resources Management, Groundwater Planning, Monitoring, Modeling for Safe Yield.

Although I found these issues generically addressed in the latest draft report, it was unclear if these specific items were called out as Stage 1 actions and if they were funded within the CALFED Budget.

I discussed these subjects with Mr. Richie in his office some weeks ago and my impression was that they were to be incorporated into the CALFED Program due to the obvious merit of the proposal and the clear linkage to CALFED objectives. Nonetheless, I have prepared the following narrative to provide more information to you and your staff.

### **Reservoir Reoperation Analysis for Tributary Areas**

Reservoir reoperation analysis (as discussed just yesterday in the meeting) will provide the following potential benefits (depending upon the specific characteristics and locational attributes of each project):

1. Shifting of some releases of water from existing hydro-reservoirs to late summer/fall months when they will be most beneficial for delta water quality needs as well as in-Delta water users needs.

2. Providing non-structural methods to achieve Area of Origin water supplies while simultaneously addressing instream releases for in-watershed aquatic species and recreational uses.
3. Providing an opportunity to address reservoir related environmental issues on a broader than project by project basis - as part of the comprehensive Delta operations and ecosystem restoration objectives.
4. Examining the potential benefits of reoperation for storage in upstream areas to complement downstream proposals in ground and surface storage.
5. In addition, there are numerous environmental benefits possible with these reservoirs which are discussed in detail within the Sierra Nevada Ecosystem Report and which were referenced by Laurel Ames (Executive Director, Sierra Nevada Alliance) in yesterday's meeting. Her points have been supported within the recently released "Blueprint for an Environmentally and Economically Sound CALFED Water Supply Reliability Program," November 5, 1998, issued by the Environmental Water Caucus (pgs. 25 & 26).

For this program, early implementation is necessary in order to provide timely analysis of resources which may be proposed for sale by the project owners in the immediate future. If CALFED wishes to attempt to deliver the benefits that these projects hold, this program element must be implemented early in Stage 1.

### **Infrastructure Conservation Improvements to Conveyance and Distribution Facilities**

Infrastructure Conservation Improvements to Conveyance and Distribution Facilities will provide significant water savings in Delta tributary areas. These improvements include basic improvements to distribution and conveyance facilities which currently contain significant losses. In addition in some cases the conveyance facilities in these rural

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areas are a source of significant water quality risks to users. Just as Delta water quality programs and the isolated conveyance facility itself are being advocated with the objective of improving water quality for users, so to would these projects for source areas. It would seem appropriate to "bundle" the anticipated continued improvement of downstream water conveyance and quality objectives with those in the source areas. This is after all, consistent with the premise of the Ag/Urban slogan of "Getting Better Together."

In reading the CALFED Water Use Efficiency Program description of actions it is unclear whether this proposal is included in the scope of the effort. If it isn't, there will be lost opportunity for significant water savings in Delta tributary areas.

#### **Small hydropower (PG&E Etc.) Acquisition Financial support**

This initiative was discussed within Ag/Urban as well as in the context of the late Water Bond. It is clear that there are very limited opportunities for new water sources - in terms of reservoir construction - in Delta tributary areas. Just as clear is that there will be water supply needs for the Areas of Origin well within the time frame of a Bay-Delta implementation. Just as there are water supply needs for the environment and export areas. No responsible person is saying, that any of the latter water needs should not be met or that they are "outside" the scope of the CALFED range of actions.

As described earlier as a component of reoperation analysis, this program would be an element of the implementation of the analysis program. That is, in cases where the reoperation analysis so indicated, funds could be available to assist in the acquisition, by local and downstream interested parties, for reoperation for these facilities. The opportunities for local Area of Origin partnerships with all downstream water users are limited only by ones willingness to reasonably address the potential benefits to all spectrums of interests. To allow these projects to be sold at auction or otherwise divested with no regard to potential water supply and environmental benefits would create just one more "stranded asset" in California's watersheds.

## Water Resources Management, Groundwater Planning, Monitoring, Modeling for Safe Yield

Water Resources Management, Groundwater Planning, Monitoring, Modeling for Safe Yield. As you are well aware the CALFED program assumes an open, cooperative, water transfers market place as part of its overall solution. Whereas surface water transfers take place with a high degree of certainty regarding the available and long-term impact on watershed yield there is in most cases no such surety in groundwater. Many areas anticipated by CALFED in the Sacramento Valley for groundwater transfers have uncertain potential for long-term transfers. The lack of credible data and monitoring/modeling programs results in decisions taken consistently with an eye towards preserving groundwater resources. This is a result of a lack of adequate data developed by the local districts and the Counties. Therefore, for CALFED to assume that there will be an open market place, in the absence of local determination of safe yield, based on adequate data, is a mistake. This budget item is intended to provide funding for local districts and Counties to develop information in support of groundwater/surface water management programs to determine safe yield of groundwater basins. It would seem that if CALFED truly wants to develop a market driven transfers environment, it would also wish to have decisions based on adequate data, from local government. This program must be included in early stage one implementation to achieve that goal.

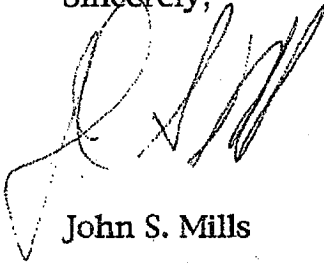
I hope these points have indeed been incorporated into the CALFED document, either in the current draft or in one "in the works." If they are not, then there should be a refocus of attention to this matter to assure that as the "bundles" of actions which take place in Stage 1 include, with proper linkages, these key elements to the Delta Tributary Source Areas.

I have attached the budget spreadsheet for these proposals as was earlier provided to both your office and the Ag/urban caucus. If you have any questions on this proposal do not hesitate to contact my office, or the office of the Regional Council of Rural Counties.

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Thank you for your continued attention to these matters. I look forward to discussing this with you in the coming weeks and at the ACWA Conference in Palm Springs.

Sincerely,



John S. Mills

cc: Jim Waldo, Ag/Urban Caucus  
Laurel Ames, Sierra Nevada Alliance

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